GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3615
ANSWERED ON:16.12.2005
RATE OF INTEREST FOR WEAKER SECTION
Yadav Shri Anirudh Prasad (Sadhu)

Will the Minister of FINANCE be pleased to state:

(a) whether the Government have announced to reduce the rate of interest on loan given to the people belonging to weaker sections of the society as appeared in Hindi daily `Hindustan` dated the November 19, 2005 ;

(b) if so, the details thereof, and

(c) the criteria fixed for it?

Answer

MINISTER. OF STATE IN THE MINISTRY OF FINANCE (SHRI S. S. PALANIMAMCKAM)

(a) to (c): The scheme of Differential Rate of Interest (DRI) is already in existence since 1972 to provide bank finance; at a concessional rate of interest at 4% per annum to the weaker sections of the society for engaging in productive and gainful activities. The salient features of the DRI scheme are as under:

Area of operation : The scheme is being implemented throughout the country.

Income criteria : The income ceiling for eligibility is annual income of Rs. 7200/- per family in urban or semi urban areas and Rs.6400/- per family in rural areas. Size of land holding must not exceed one acre of irrigated land and 2.5 acres of unirrigated land.

Loan amount : The maximum assistance per beneficiary has been fixed at Rs.6500/- for productive purposes. In addition to this, physically handicapped persons can avail of assistance to the extent of Rs.5000/-(maximum) per beneficiary for acquiring aids, appliances etc. Similarly, members of SC/STs satisfying the income criteria of the scheme can also avail of housing loan up to Rs.5000/- per beneficiary over and above the loan of Rs.6500/-.

Security : No collateral security/ third party guarantee is required. Assets created out of the loan amount would only be hypothecated to the bank.

Repayment : Not exceeding five years including grace period of two years.

Reservation : The banks are required to ensure that at least 40% of their DRI advances flow to SC/STs.